# ANNUAL REPORT

# ANACONDA COPPER MINING COMPANY

## 1945

# THE AMERICAN BRASS COMPANY

(a wholly owned subsidiary)

ANACONDA

The Company's facilities were fully occupied during the greater part of the year for the production of materials necessary for the prosecution of the war. Following the surrender of Japan, immediate steps were taken to reconvert to the manufacture of peacetime requirements, which transition took place without serious difficulty.

The American Brass Company is industry's largest and most completely coordinated source of supply for copper and copper-base alloys in commercial forms, such as sheet, wire, rods and tubes. From the mining of the ore, through all the operations of smelting, refining and fabrication of the raw materials into commercial forms and finished mill products, the utmost in quality and uniformity is assured by careful supervision at every stage of production, from mine to consumer.

A carefully organized network of plants, offices agencies, warehouses and authorized distributors provides efficient distribution of the Company's products in every manufacturing section of the United States and Canada.

As mentioned in this report last year prospects for continued demand for the Company's peacetime products appear extremely bright.

## SOME OF THE INDUSTRIES SERVED

| | | | | |
|---|---|---|---|---|
| Air-Conditioning | Chemical | Jewelry | Petroleum | Refrigeration |
| Automotive | Electrical Equipment | Light and Power | Plumbing | Shipbuilding |
| Aviation | Hardware | Machinery | Pulp and Paper | Textile |
| Building | Heating | Mining | Railroad | Welding |

## PRINCIPAL PRODUCTS

### COPPER, BRASS, BRONZE AND COPPER-NICKEL ALLOYS—SHEETS, WIRE, RODS, TUBES

Airplane Gas, Oil and Pressure Lines
Ammunition Metal
Brass and Copper Pipe
Brazing Solder
Bronze Screen Wire
Bus Bars and Shapes
Cartridge Discs and Cups
Condenser Head Plates
Condenser and Heater Tubes
Copper-Nickel Alloys
Copper Tubes and Fittings
Drawn Sections
Everdur* and Super-Nickel Tank Plates
Extruded Shapes
Eyelets, Grommets, etc.
Flexible Metal Hose and Tubing
Free Cutting Brass Rods
Phosphor Bronze
Pressure Die Castings
Hot Pressed Parts
Shell Rotating Bands
Tobin* Bronze Shafting
Turbine Blading
Welding Rods

*Reg. U. S. Pat. Off.

## LOCATION OF MANUFACTURING PLANTS

Ansonia, Conn.
Buffalo, N. Y.
Detroit, Mich.
Kenosha, Wis.
Torrington, Conn.
Waterbury, Conn.

Anaconda American Brass Limited, New Toronto, Ontario, Canada

## OFFICES ARE LOCATED IN THE FOLLOWING CITIES:

Atlanta, Ga.
Boston, Mass.
Buffalo, N. Y.
Chicago, Ill.
Cincinnati, Ohio
Cleveland, Ohio
Denver, Colo.
Detroit, Mich.
Houston, Texas
Kenosha, Wis.
Los Angeles, Calif.
Milwaukee, Wis.
Minneapolis, Minn.
Montreal, Canada
Newark, N. J.
New York, N. Y.
Philadelphia, Pa.
Pittsburgh, Pa.
Providence, R. I.
Rochester, N. Y.
St. Louis, Mo.
San Francisco, Calif.
Seattle, Wash.
Syracuse, N. Y.
Toronto, Canada
Washington, D. C.

General Offices: Waterbury 88, Connecticut

# Anaconda Copper Mining Company

## CAPITAL STOCK

December 31, 1945

| | | |
|---|---|---|
| Authorized, | 12,000,000 shares $50 each | $600,000,000 |
| Outstanding, | 8,674,332 shares $50 each | 433,716,600 |

## OFFICERS

| | |
|---|---|
| *Chairman of the Board* | Cornelius F. Kelley |
| *President* | James R. Hobbins |
| *Executive Vice-President* | Robert E. Dwyer |
| *Vice-President* | Daniel M. Kelly |
| *Vice-President in Charge of Mining Operations* | Clyde E. Weed |
| *Vice-President in Charge of Metallurgical Operations* | Frederick Laist |
| *Vice-President and General Counsel* | W. H. Hoover |
| *Vice-President* | Elbert O. Sowerwine |
| *Assistant to the President* | Frank O. Case |
| *Assistant Vice-President* | Richard S. Newlin |
| *Comptroller* | W. Kenneth Daly |
| *Treasurer* | James E. Woodard |
| *Secretary and Assistant Treasurer* | C. Earle Moran |
| *Assistant Secretary and Assistant Treasurer* | Kenneth B. Frazer |
| *Assistant Secretary and Assistant Treasurer* | Thomas E. Conrad |
| *Assistant Secretary* | Jeremiah D. Murphy |

## DIRECTORS

Robert E. Dwyer
E. Roland Harriman
James R. Hobbins
Clark S. Judd
Cornelius F. Kelley
Maurice Newton
William C. Potter
Gordon S. Rentschler
William D. Thornton

## OFFICES

Anaconda, Montana
Butte, Montana
25 Broadway, New York 4, N. Y.

# ANNUAL REPORT

## OF

# ANACONDA COPPER MINING COMPANY

*For the Year Ended December 31, 1945*

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*To the Shareholders of*

Anaconda Copper Mining Company:

| | | |
|---|---|---|
| The gross sales and earnings of the Company upon a consolidated basis (after elimination of inter-company items) totalled | | $328,465,669.00 |
| Other income, including dividends from non-consolidated subsidiaries, was | | 1,216,714.34 |
| making total gross income | | $329,682,383.34 |
| The cost of sales, including all operating expenses, development and maintenance charges, repairs, administrative, selling and general expenses and all taxes except income taxes, amounted to | $279,953,423.85 | |
| Provision for depreciation and obsolescence and for depletion of timber lands and phosphate deposits amounted to | 12,530,862.98 | |
| making total deductions from gross income | | 292,484,286.83 |
| | | $ 37,198,096.51 |
| United States and foreign income and excess profits taxes amounted to | | 16,661,904.34 |
| Net income, without deduction for depletion of metal mines, was | | $ 20,536,192.17 |
| **Of which minority share amounted to** | | 133,415.90 |
| **Leaving consolidated net income of** | | $ 20,402,776.27 |

Gross income decreased $68,774,721.61 or 17.26% from 1944. Net income decreased $11,020,352.80 or 35.07%. Profit per share without deduction for Capital Depletion of

Metal Mines was $2.35, compared with $3.62 in 1944 and $3.89 in 1943. Net income as heretofore is based upon invoices to customers. Inventories are based on "last in—first out" method at the cost of various metals on hand and in process, such value being below market prices for the various metals and products at December 31, 1945.

During the year 1945 scrip certificates equivalent to six shares of stock were transferred to treasury shares, reducing the amount outstanding to 8,674,332 shares. Dividends on the capital stock of your company amounted to $21,685,836.50 or $2.50 per share, continuing the same rate paid during the previous four years.

Current assets as of December 31, 1945, amounted to $210,528,151.76, of which $128,286,614.83 was in cash and Government securities. There was no indebtedness except for current accounts and wages $14,440,012.34 and accrued taxes $25,237,982.59, a total of $39,677,994.93, leaving net current assets of $170,850,156.83 equivalent to $19.70 per share, an increase of $6,966,933.87 or $0.80 per share for the year.

The Company and its subsidiaries had on hand at the end of the year United States Government Securities of a par value of $73,730,000. During the year purchases amounted to $29,000,000 par value. $25,215,000 par value matured or were applied to the payment of Federal income taxes.

The Company's Canadian subsidiary purchased $2,000,000 par value Canadian Government bonds during the year. An equal amount matured during the year. Total on hand at December 31, 1945 at cost in Canadian currency was $4,145,375, the same as at end of 1944.

As in previous years, additional labor costs and the shortage of labor adversely affected production and income. Strikes of employees at the properties of Chile Exploration Company and Andes Copper Mining Company in Chile and the Kenosha Branch of The American Brass Company likewise diminished profit of operations, but the principal cause of the large decrease in net income compared with 1944 was the position taken by OPA in refusing to recognize and make necessary adjustments in price schedules required by the cancellation of all Government contracts shortly after V-J Day, and the reconversion of the Copper and Brass fabricating industry to a peacetime basis. Notwithstanding the substantial increases that had occurred during the war period in wages, salaries and supplies, the OPA maintained the schedule of prices that had been fixed by it and that had prevailed in 1940, although repeatedly requested by the industry to make appropriate adjustments. In the case of The American Brass Company, a wholly owned subsidiary of your Company, the difference between the operating profit for the last six months of 1944 and the operating loss sustained during the corresponding period in 1945, due to the above position of OPA, was approximately $8,500,000.

| | |
|---|---|
| CAPITAL EXPENDITURES less sales of capital assets in 1945 amounted to as follows: | $5,849,502.52 |
| Mines, Mining Claims and Lands | 1,276,534.91 |
| Buildings, Machinery and Equipment at the Mines, Smelting, Refining and Manufacturing Plants of the Company and its subsidiaries | 4,943,994.99 |
| | $6,220,529.90 |
| Less Sales (Book Value) | 408,827.90 |
| A net increase of | $5,811,702.00 |
| Miscellaneous—Including acquisition of shares of stock of subsidiary companies . . . | 37,800.52 |

## CORPORATE TRANSACTIONS

During the year the Company increased its holdings in shares of subsidiary companies by purchase of 830 shares of Chile Copper Company and 11 shares of Andes Copper Mining Company. These transactions increased Company holdings to 4,378,166 shares (99.15%) and 3,502,525 shares (97.77%), respectively, of the issued capital stock of those companies.

During the year the Company purchased a small high grade lead-silver mine called The Darwin Mine, located in Inyo County, California. This mine when purchased was equipped with a 150-ton mill and most of the necessary mining equipment. The Company assumed operations on August 1, 1945. Concentrates and direct shipping ores from this mine are sent to the Tooele, Utah plant of the International Smelting and Refining Company. Exploration work and operating results have been satisfactory.

Exploratory work was continued at the Victoria Mine located in Elko County, Nevada, on which an option was acquired in 1941. Indications of copper ore in this prospect are promising but the development work has been handicapped by labor shortage.

The Company acquired in 1941 an interest in a low grade disseminated copper property located in Lyon County, Nevada known as the Yerington Property. Since then sufficient exploratory work has been done to delimit the ore body, estimated to contain approximately 50,000,000 tons of ore having a copper content of 1.02%, and all interests have been acquired.

The lease which this Company held on the property of Copper Canyon Mining Company was cancelled as of December 1, 1945.

## Operations

Increasing shortage of manpower was primarily responsible for the further decrease in production of copper, lead and zinc in the United States, affecting the operations of your Company in common with those of other producers.

Total production of primary copper in the United States, as reported by Copper Institute, was 792,126 tons, a decrease of 20.5% from 1944 and 28.7% less than peak production in 1943. Total deliveries to fabricators were 1,517,842 tons, of which 783,840 tons were domestic primary copper, 49,541 tons came from secondary materials treated at refineries and 684,461 tons came from foreign producers (principally Chile), imported by Metals Reserve Company and sold to consumers at OPA ceiling price. Deliveries by the fabricators contained 1,462,440 tons of copper compared with 1,656,052 tons in 1944 and 1,701,753 tons in 1943.

Due to restrictions against general use, an ample supply of all non-ferrous metals was available for war purposes and at the end of the year Metals Reserve Company held relatively large tonnages of copper and zinc, but only a small stock of lead, which metal is in world-wide demand in excess of supply at prices in foreign countries higher than the ceiling price in the United States.

Except for small quantities sold to Latin American countries, the copper produced by the subsidiary companies in Chile and Mexico during the war period and up to October 31, 1945 was sold to United States Government agencies, contributing in a large measure to the successful conclusion of the war.

The Surplus Property Act of 1944 provided for the stockpiling of critical and strategic minerals and metals so essential for the defense of the country. This legislation was of a temporary nature. A proposed law providing for permanent stockpiles to be released only in time of war or during a national emergency with respect to common defense was passed by the Senate on December 21, 1945 and is now being considered by the House of Representatives. In view of the serious depletion of the natural resources in continental United States this legislation is an essential precaution for the future defense of the country.

During the war the demand for silver both for monetary and industrial purposes greatly increased. There was a steady decrease of production in the United States proportionate with the decreased output of copper, lead and zinc, the ores of which contain most of the silver produced in this country. A fair price for silver, the objective of pending legislation in Congress, is extremely important to the mining industry in making possible the extraction of ores containing copper, lead and zinc, which would not be commercial were it not for the credit value of silver and gold contained in the ores.

The following is a summary of the output of principal products of the Company in 1945 compared with 1944:

| | 1945 | 1944 |
|---|---|---|
| *Copper* | | |
| Total Output—Pounds | 1,098,626,338 | 1,105,223,947 |
| By-product materials sold to others: | | |
| From Company Mines | 95,501 | 9,447 |
| From Other Sources | 1,333,020 | 101,735 |
| Finished Copper | 1,097,197,817 | 1,195,112,765 |
| From Toll | 221,149,429 | 226,250,803 |
| From Purchased ores, concentrates and secondary metals | 14,441,212 | 21,680,512 |
| From Company Mines | 861,607,176 | 947,181,450 |
| *Zinc* | | |
| Total Production—Pounds | 380,489,939 | 473,978,086 |
| From Toll | 240,193,024 | 305,365,098 |
| From Purchased materials | 138,664,165 | 168,069,948 |
| From Company Mines | 1,632,750 | 543,040 |
| Contained in by-products sold to other companies | 17,544,457 | 15,679,704 |
| Zinc Dross | 583,236 | 8,232,002 |
| Produced on toll for the Company by others | — | 145,119 |
| Secondary Metal | 3,859,940 | 1,139,522 |
| Electrolytic Zinc at Company Plants | 358,502,306 | 448,781,739 |
| *Lead* | | |
| Total Production—Pounds | 71,237,709 | 68,970,626 |
| From Purchased ores, concentrates and other materials | 65,745,616 | 68,635,434 |
| From Company Mines | 5,492,093 | 335,192 |
| Contained in by-products sold to other companies | 18,605,648 | 19,140,918 |
| Produced in metallic form | 52,632,061 | 49,829,708 |

| | 1945 | 1944 |
|---|---|---|
| *Silver* | | |
| Total Production—Ounces | 9,620,647 | 11,105,295 |
| From Purchased Materials | 4,317,388 | 5,105,112 |
| From Company Mines | 5,303,259 | 6,000,183 |
| Contained in by-products sold to other companies | 1,859,930 | 1,797,481 |
| Produced in metallic form | 7,760,717 | 9,307,814 |
| *Gold* | | |
| Total Production—Ounces | 77,995 | 105,333 |
| From Purchased Materials | 41,488 | 63,364 |
| From Company Mines | 36,507 | 41,969 |
| Contained in by-products sold to other companies | 11,048 | 11,046 |
| Produced in metallic form | 66,947 | 94,287 |
| *Manganese* | | |
| Nodule Production—Long Tons | 120,477 | 117,781 |
| Assay—Mn | 60.24% | 60.62% |
| *Arsenic*—Short Tons | 6,271 | 9,745 |
| *Cadmium*—Total Production—Pounds | 1,508,944 | 2,036,612 |
| *Molybdenite*—Pounds | 2,856,670 | 2,986,396 |
| *Treble—superphosphate and phosphoric acid*—Tons | 55,785 | 65,133 |
| *Lumber*—Feet | 65,354,524 | 103,508,146 |

Other miscellaneous products were bismuth, gallium, indium, nickel sulphate, palladium, platinum, selenium, vanadium red cake precipitates, white lead and zinc oxide.

### *Fabricating Plants:*

The shipments of manufactured products from the plants of The American Brass Company (including Toronto Plant) and Anaconda Wire and Cable Company amounted to 1,087,615,629 pounds, a decrease of 12.61% from the year 1944. In addition shipments from the Fabricating plants operated for Government account in excess of shipments of manufactured products from Company departments to those plants amounted to 174,895,424 pounds, making combined total of 1,262,511,053 pounds or 18.27% less than during the prior year.

## Employees

During the year 1945 the average number of employees of the Company and its consolidated subsidiary companies was 46,404. Of these, 29,183 were within the United States, compared with 32,779 in 1944. Purchases of War Savings Bonds with par value of $12,790,700 were made in 1945 by approximately 82% of the employees in the United States.

As of December 31, 1945, total employees of the Company including its nonconsolidated subsidiary companies numbered 48,978, in addition to which employees in Government properties operated by the Company numbered 108, making a total of 49,086.

During the war 14,408 employees of the Company and its Subsidiary Companies joined the Armed Services of our country and its Allies. Many of these have returned to work for the Company. We record with regret that 374 have made the supreme sacrifice or have been reported as missing in action.

## Group Insurance

The Group Insurance at the close of the year amounted to $79,627,633 covering 33,858 employees. The amount of insurance paid to beneficiaries during the year was $1,020,287.

## Number of Shareholders

The number of registered shareholders appearing on the transfer books of the Company at December 31, 1945 was 120,545 compared with 117,240 the beginning of the year.

## Financial Statements

There is attached hereto as a part of this report a Consolidated Balance Sheet showing the financial condition of the Company and consolidated subsidiary companies at the close of business December 31, 1945, together with a Consolidated Income Account and a Consolidated Surplus Account for the year, certified by Messrs. Pogson, Peloubet & Co., Certified Public Accountants.

By Order of the Board of Directors.

CORNELIUS F. KELLEY,
Chairman of the Board.

JAMES R. HOBBINS,
President.

New York, N. Y., April 13, 1946.

# Anaconda Copper Mining Company
## and Subsidiary Companies

## Consolidated Balance Sheet—December 31, 1945

### ASSETS

| | | | |
|---|---|---|---|
| **CURRENT ASSETS:** | | | |
| Cash | | $ 50,788,095.87 | |
| United States and Canadian Government securities | | 77,498,518.96 | |
| United States excess profits tax refund bonds | | 1,158,802.83 | |
| Accounts receivable—trade, less reserve | | 17,712,030.68 | |
| Receivable from subsidiaries not consolidated—current | | 677,419.22 | |
| Metals and manufactured products, finished and in process—see note D | | 39,934,380.78 | |
| Supplies, including operating and replacement parts—at cost | | 22,738,903.42 | $210,528,171.76 |
| **DEFERRED CHARGES AND OTHER ASSETS:** | | | |
| Mine development, including expenditures on leased properties | | $ 6,376,050.94 | |
| Prepaid expenses | | 300,660.81 | |
| Deferred expenses | | 278,964.26 | |
| Installment land sales, advances to sundry mining companies and other accounts receivable, less reserve | | 1,510,869.31 | |
| Postwar refund—Canadian excess profits taxes—estimated | | 1,674,082.54 | 10,640,627.86 |
| **FIXED ASSETS:** | | | |
| Mines and mining claims, water rights and lands for metal producing and manufacturing plants—see note E | | $260,882,386.19 | |
| Timber lands and phosphate deposits—see note E | $ 6,288,113.87 | | |
| Less reserve for depletion | 2,800,111.60 | 3,488,002.27 | |
| Buildings and machinery at mines, reduction works, refineries, manufacturing plants, sawmills, foundries, waterworks and railroads (including railroad concessions to the extent of $588,239.02)—see note E | $315,907,773.11 | | |
| Less reserve for depreciation | 220,060,835.65 | 95,846,937.46 | |
| Patents | | 2.00 | |
| Investments: | | | |
| Securities of subsidiaries not consolidated—see notes C and E | $ 15,171,819.96 | | |
| Other investments—see note E | 15,865,078.79 | | |
| Indebtedness of subsidiaries not consolidated—not current | 114,902.92 | 31,151,801.67 | 391,369,129.59 |
| **FUNDS PROVIDED BY GOVERNMENT AGENCIES:** | | | |
| For extension and operation of metal producing facilities—per contra | | | 3,520,465.66 |
| The assets shown in this Balance Sheet do not include funds in the amount of $18,198,250.12 provided by government agency for the construction and development of metal producing facilities—see note F. | | | |
| | | | $616,058,374.87 |

See explanatory notes, pages 13 and 14.

# ANACONDA COPPER MINING COMPANY
## and Subsidiary Companies

### Consolidated Balance Sheet—December 31, 1945

### LIABILITIES

| | | | |
|---|---|---|---|
| **CURRENT LIABILITIES:** | | | |
| Accounts and wages payable | | $ 14,440,012.34 | |
| Accrued taxes—see notes H and J | | 25,237,082.59 | $ 39,677,094.93 |
| **DEFERRED CREDITS TO INCOME** | | | [illegible] |
| **RESERVES:** | | | |
| For workmen's compensation insurance | | $ 1,463,789.88 | |
| For contingencies—see note K | | 5,250,000.00 | 6,713,789.88 |
| **CAPITAL STOCK AND SURPLUS** of consolidated subsidiaries owned by minority interest | | | 3,508,889.36 |
| **CAPITAL STOCK** of Anaconda Copper Mining Company: | | | |
| Authorized—12,000,000 shares of the par value of $50 each | | | |
| Issued | 8,919,086 shares | $445,954,300.00 | |
| Held in treasury | 244,754 shares | 12,237,700.00 | |
| Outstanding | 8,674,332 shares | | 433,716,600.00 |
| **SURPLUS**—see note G | | | 127,983,577.60 |
| **ADVANCES BY GOVERNMENT AGENCIES** for extension and operation of metal producing facilities, less repayments—per contra | | | 3,520,465.66 |
| | | | $616,058,374.57 |

See explanatory notes, pages 13 and 14.

# ANACONDA COPPER MINING COMPANY
## and Subsidiary Companies

### Consolidated Income Account—Year Ended December 31, 1945

| | | |
|---|---|---|
| Gross sales and earnings—see notes F and I | | $328,465,669.00 |
| Other Income: | | |
| Dividends from subsidiary not consolidated | $ 289,722.00 | |
| Other dividends, interest and miscellaneous income | 926,992.34 | 1,216,714.34 |
| | | $329,682,383.34 |
| Cost of sales—on last-in, first-out basis—operating expenses, development, maintenance and repairs, administrative, selling and general expenses and taxes, except income and profits taxes | $279,953,423.85 | |
| Provision for depreciation, amortization and obsolescence, including amortization of emergency plant facilities of $1,649,052.25 chargeable to the current year—see note J. | 12,422,562.15 | |
| Provision for depletion of timber lands and phosphate deposits (not including depletion of metal mines) | 108,300.83 | 292,484,286.83 |
| | | $ 37,198,096.51 |
| United States and foreign income and profits taxes—estimated, no United States excess profits tax being deemed payable—see note J . . . | | 16,661,904.34 |
| Net Income, without deduction for depletion of metal mines | | $ 20,536,192.17 |
| Minority share of income | | 133,415.90 |
| Consolidated Net Income of the year, without deduction for depletion of metal mines | | $ 20,402,776.27 |

### Consolidated Surplus Account—Year Ended December 31, 1945

| | | |
|---|---|---|
| Surplus at beginning of year | $129,705,464.97 | |
| Minority interest | 438,527.14 | |
| Consolidated Surplus at beginning of year | | $129,266,937.83 |
| Consolidated Net Income, without deduction for depletion of metal mines | | 20,402,776.27 |
| | | $149,669,714.10 |
| Dividends Nos. 147, 148, 149 and 150 | | 21,685,836.50 |
| Surplus at end of year | $128,352,007.71 | |
| Minority interest | 368,130.11 | |
| Consolidated Surplus at end of year | | $127,983,877.60 |

See explanatory notes—pages 13 and 14.



PNYC 00010258

## NOTES TO FINANCIAL STATEMENTS—DECEMBER 31, 1945

### NOTE A—BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of all significant subsidiaries in which the stock interest of the company is 75% or more.

### NOTE B—ASSETS AND INCOME IN FOREIGN COUNTRIES

Assets in foreign countries, principally those of subsidiaries operating in South America, Mexico and Canada, are approximately fifty-[illegible] per cent. of the net amount of fixed assets, investments and deferred charges, less reserves, and approximately seven per cent of amount of net current assets (including cash balances in such countries of $2,321,432.74) shown on the Consolidated Balance Sheet.

The greater part of the assets in South America and Mexico were acquired for United States dollars (see note E as to basis for fixed assets); those acquired for foreign currency, not significant in amount, being converted at rates of exchange current at the dates of acquisition. Assets in Canada have been converted at rates of exchange current at dates of acquisition adjusted in the case of net current assets to the exchange rate at December 31, 1945.

Consolidated net income includes $13,267,656.87 as Anaconda Copper Mining Company's proportion of the income of subsidiaries operating in South America and Mexico, all of which has been received in United States funds, and $823,719.40, the equivalent in United States dollars of the net income of the Canadian subsidiary which paid no dividends during the year.

### NOTE C—EQUITY IN ASSETS AND INCOME OF UNCONSOLIDATED SUBSIDIARIES

The investment of the parent company in its principal unconsolidated subsidiaries (Anaconda Wire and Cable Company and Mountain City Copper Company) is included in the Consolidated Balance Sheet at $4,414,234.00 less than the company's equity in the net assets of these subsidiaries as shown by their books.

The company's proportion of the net earnings of such subsidiaries (without, in the case of mining companies, making any provision for depletion of metal mines) exceeded dividends received in the year by $145,122.44. Such dividends received, amounting to $289,722.00, are included in the Consolidated Income Account.

### NOTE D—METALS AND MANUFACTURED PRODUCTS—FINISHED AND IN PROCESS

Finished metals held for sale or in process of fabrication are carried at cost, principally on the last-in, first-out basis, except silver, gold and molybdenite which are carried at market or less. All other inventories in process or finished are carried at cost. The above costs are not in excess of current market values.

### NOTE E—FIXED ASSETS—BASIS OF VALUATION

(a) Property, plant and equipment is included in the Consolidated Balance Sheet on the basis of cost to the consolidated group either in cash or in stock of the parent company at par value.

Investments in securities of subsidiaries not consolidated and other investments are included in the Consolidated Balance Sheet at cost or less. Other investments include 335,000 shares of Inspiration Consolidated Copper Company, carried at $9,249,107.51.

(b) As required by the United States Treasury Department, valuations as of March 1, 1913 of mining properties then owned have been recorded on the books for the purpose of computing the amount allowable as a deduction for depletion in arriving at taxable income under the Federal income tax laws. These values have not been reflected in the published accounts of the Company.

The Company has consistently followed the practice of publishing its accounts without deduction for depletion of metal mines and no such deduction is included in these financial statements.

Depletion based on cost of timber and phosphate lands has been deducted from income in the Consolidated Income Account and also from the cost basis shown in the Consolidated Balance Sheet.

(c) Fixed assets carried on the above bases do not indicate current values which could be determined only by current appraisals.

## NOTE F—FUNDS PROVIDED BY GOVERNMENT AGENCIES

Under the contract pursuant to which the amount of $18,198,250.12, not included in assets shown in the Consolidated Balance Sheet, was expended, certain options were granted to the subsidiary with which the contract was entered into with respect to discharge of obligations in connection therewith. There is no basis at the present time for determining whether any of these options will be exercised. Under the construction contract the subsidiary is obligated to operate the property at cost, one of the principal considerations for the expenditures and advances above referred to. If none of the options are exercised, the facilities are to be disposed of and contractual accounting made. In the year 1945, 41,339,727 pounds of copper were produced and delivered under this contract, at cost, to the Government agency, but neither the cost nor funds received in repayment have been included in the Consolidated Income Account.

## NOTE G—SURPLUS

Consolidated Surplus includes (a) a credit of $20,816,158.49, the excess of the proceeds over the par value of an issue of 3,109,598.54 shares of stock of the company and (b) a charge of $11,907,498.50 in connection with bonds redeemed by proceeds of stock mentioned under (a), being discount and expense on issuance and premium on redemption of bonds.

See paragraph (b) of note E as to practice regarding depletion.

## NOTE H—FEDERAL INCOME AND EXCESS PROFITS TAXES

Audits of income and excess profits tax returns for the taxable years up to and including December 31, 1939 have been made by the United States Treasury Department and additional assessments have been paid. Audits of subsequent years have not been completed.

It has been determined that no liability to the United States Government existed in connection with renegotiation of 1944 sales contracts of The American Brass Company. It is believed that no liability exists with regard to renegotiation of 1945 contracts. The Canadian Government may require a refund of war profits from a subsidiary of The American Brass Company but it is believed that any possible liability is adequately covered by the reserve for contingencies.

## NOTE I—GROSS SALES AND EARNINGS

Sales of metals and of manufactured products are included in income as billed and delivered to customers. Undelivered sales contracts and purchase commitments are not given effect to in the Consolidated Income Account. Sales include the excess over the current prices of metals received under certain contracts and agreements with agencies of the United States Government. Such contracts for metals produced outside of the United States terminated September 30, 1945.

## NOTE J—AMORTIZATION OF EMERGENCY PLANT FACILITIES

Expenditures for emergency plant facilities, amounting in total to $8,309,749.66, have been fully amortized as permitted under the Presidential Proclamation of September 29, 1945 for Federal income tax purposes, in accordance with the provisions of the Internal Revenue Code.

In these accounts amortization at the rate of 20% per year was continued throughout the year 1945 and Federal income taxes are deducted in the Consolidated Income Account on this basis. The remaining balance of facilities unamortized at December 31, 1945, $3,609,617.27, is offset to the extent of $1,800,000.00, being the estimated tax reduction applicable to 1945 and prior years resulting from the additional amortization allowable for tax purposes which has been credited to taxes accrued.

## NOTE K—RESERVE FOR CONTINGENCIES

$1,150,000.00 representing expenditures in prior years for development on leased properties and for equipment which reverted to the lessors on abandonment of the lease has been charged to reserve for contingencies.

**POGSON, PELOUBET & CO.**
CERTIFIED PUBLIC ACCOUNTANTS

NEW YORK
MAURICE E. PELOUBET
LEWIS M. NORTON
SIDNEY W. PELOUBET
HOWARD L. [illegible]
CRAWFORD C. HALSEY
FRANK E. SMALL

EL PASO
PERCY W. POGSON
PERCY W. POGSON, JR.

CABLE ADDRESS CERTIFIED NEW YORK
AGENT
[illegible]
LONDON

25 BROADWAY NEW YORK 4, N. Y.

*To the Board of Directors,*

Anaconda Copper Mining Company,
25 Broadway, New York 4, N. Y.

We have examined the Consolidated Balance Sheet as of December 31, 1945 of Anaconda Copper Mining Company and the other corporations whose accounts are consolidated with its accounts as stated in note A to the financial statements, and their Consolidated Income and Surplus Accounts for the calendar year 1945; have reviewed the system of internal control and the accounting procedures of the Company and its subsidiaries and, without making a detailed audit of the transactions, have examined or tested accounting records of the Company and its subsidiaries and other supporting evidence, by methods and to the extent we deemed appropriate. It was not practicable to obtain direct confirmation of balances owing by departments and agencies of the United States Government, as to which we have satisfied ourselves by other auditing procedures. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

The practice of the Company and its subsidiaries in computing their net income or net loss without deduction for depletion of metal mines is in accordance with accepted accounting procedures in industries engaged in the mining of copper, zinc, lead, silver and gold, and is in agreement with long established and consistently maintained accounting practices and procedures of this Company and its subsidiaries and others similarly situated, and the Company is advised by counsel that such procedure is in accordance with legal requirements.

In our opinion, the accompanying Balance Sheet and related Income and Surplus Accounts, together with the notes attached thereto or appearing thereon, present fairly the consolidated position of the Company and its consolidated subsidiaries at December 31, 1945 and the combined results of their operations for the calendar year 1945, in conformity with generally accepted accounting principles which have been applied on a basis consistent in all material respects with that of the preceding year.

POGSON, PELOUBET & CO.,
*Certified Public Accountants*

New York, March 29, 1946.

# ANACONDA WIRE AND CABLE COMPANY

(A Subsidiary Company)

Production for war purposes required the entire facilities of our plants at increasing tempo in the first half of 1945, reaching a peak on V-J Day.

During the year several high commendations from the Armed Forces were added to the long list of "E" awards received in prior years.

Now that the war is over we can bring to the users of wire and cable products the benefits of research over a long period of years and the additional developments resulting from intensified efforts during the war period.

Our Staff of engineers are now available to assist the light, power and manufacturing industries in the selection and installation of equipment to meet their requirements most efficiently and economically.

## SOME OF THE INDUSTRIES SERVED

| | | | |
|---|---|---|---|
| Automotive | Construction (Heavy) | Metal Fabrication | Rural Electrification |
| Aviation | Electric Utilities | Mining | Shipbuilding |
| Building | Electrical Manufacturing | Petroleum | Textile |
| Chemical | Food | Radio | Telephone and Telegraph |
| Communication | Marine | Railroad | |

## PRODUCTS

### ELECTRICAL WIRE AND CABLES OF EVERY DESCRIPTION

| | | |
|---|---|---|
| Bare Wire and Cable | Hollow Conductor Cable | Rubber Covered Building Wires |
| Cable Accessories | Magnet Wire and Coils | Shipboard Cables |
| Communication Cable | Non-Metallic Conduit | Slow Burning Wires and Cables |
| Copper Rods | Power Cable: Rubber, Paper, Varnished Cambric | Synthetic Insulated Wire and Cable |
| Cords | Parkway Cable | Weatherproof Wire and Cable |

## LOCATION OF MANUFACTURING PLANTS

| | | |
|---|---|---|
| Anderson, Ind. | Hastings-on-Hudson, N. Y. | Orange, Calif. |
| Great Falls, Mont. | Marion, Ind. | Sycamore, Ill. |
| | Muskegon, Mich. | |

## OFFICES ARE LOCATED IN THE FOLLOWING CITIES:

| | | | |
|---|---|---|---|
| Atlanta, Ga. | Dallas, Texas | Milwaukee, Wis. | Rochester, N. Y. |
| Boston, Mass. | Denver, Colo. | Minneapolis, Minn. | St. Louis, Mo. |
| Charlotte, N. C. | Detroit, Mich. | New Orleans, La. | San Francisco, Calif. |
| Cincinnati, Ohio | Kansas City, Mo. | Philadelphia, Pa. | Seattle, Wash. |
| Cleveland, Ohio | Los Angeles, Calif. | Pittsburgh, Pa. | Washington, D. C. |

General Offices: 25 Broadway, New York 4, N. Y.

Chicago Sales Offices: 20 North Wacker Drive

PNYC 00010263